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SUBJECT: GUAYAQUIL BUSINESSES OPTIMISTIC ABOUT FTA

1. Summary: During her second visit to Guayaquil, the Ambassador met with a wide range of business leaders, most of whom expressed their belief that the GOE would sign the Free Trade Agreement (FTA) it is currently negotiating with the USG. From the Chamber of Industry president to AmCham Board members, and even in a session with leading editors and reporters from local media, conversations centered on the prospects of the FTA. The general conclusion was that the road to an FTA passage was filled with obstacles, but that none of the challenges were insurmountable. However, Social Christian (PSC) leader and member of congress Leon Febres Cordero was non committal (septel). While in Guayaquil the Ambassador also took the opportunity to call on leading businesswoman and philanthropist Isabel Noboa, and to tour a foundation for street children where a Peace Corps volunteer has begun a bakery. End summary.

FTA FORECAST: CLOUDY BUT PROMISING

2. The Ambassador's meetings with business leaders and opinion makers on November 9 offered insight into private sector concerns and expectations leading up to the final round of FTA negotiations which began November 14.

3. The President of Guayaquil's Chamber of Industry and the Ecuadorian Business Committee (CEE) for the FTA, Alberto Dassum, told the Ambassador that he believes the negotiations will end in signature by all parties involved. He explained that his call for the removal of the team of political advisors to Ecuador's FTA negotiators (reported that day in all major Ecuadorian newspapers) stemmed from his belief that several key members are working against the agreement. After raising the issue several times with President Palacio, he and the CEE had decided to go public with their view. By doing so, they hoped to draw attention to the need for the GOE to stand squarely behind the FTA. When questioned about the possibility of the agreement being passed by the Ecuadorian Congress, he conceded that it would not be easy, particularly considering current political instability. However, he went on to say that he was optimistic that in the end Congress would recognize how crucial the FTA is for Ecuador's future.

4. At her first meeting with the Board members of Guayaquil's Ecuadorian American Chamber of Commerce (AmCham), the Ambassador heard support for the FTA from a variety of business leaders. AmCham is focusing on garnering support for the agreement once negotiations conclude, and subsequent implementation of the treaty. They view themselves as well-placed to work with American companies that express interest in investing in Ecuador after the agreement is signed. The Ambassador emphasized the importance of convincing the Ecuadorian Congress to ratify the treaty, and pointed out that AmCham is in a unique position to do so.

5. When asked to comment on the likelihood that Ecuador will be able to respond to U.S. Congressional criticisms of its labor regime, an AmCham Board Member explained at length that Ecuador's current labor regime is, in his view, extremely generous to workers. He welcomed the opportunity to correct elements of current labor law that impair Ecuador's competitiveness, for example by eliminating the right of workers to occupy premises during a strike (to be consistent with Colombian practice) and proposing the elimination of mandatory profit distributions to employees. In his view, criticisms of Ecuador's labor regime are based on inaccurate information, and should be addressed by correcting misperceptions rather than reforming the labor code. The Ambassador noted that the ILO believes the Ecuadorian labor code does not adequately protect the right to organize, a core USG interest.

6. Reporters and editors from leading Guayaquil newspapers and news radio stations shared the business leaders' interest in the FTA, if not their exact sentiments. Questions focused on agriculture and intellectual property rights, as well as Ecuador's pursuit of preferential treatment. The Ambassador explained that in negotiations such as these, the most difficult issues are always left for the end. She acknowledged that the GOE will have to cede some positions, but that overall the FTA will bring numerous benefits to the country and that Ecuador and the U.S. have many products that do not compete.

RESIDENTS DEMONSTRATE ENTREPRENEURIAL SPIRIT

17. Overcoming persistent political instability and repeated cries that Ecuador cannot compete on the global market, Isabel Noboa has developed a multinational, integrated business conglomerate that stands out as one of the successes of the country. During a courtesy call with the Ambassador, Ms. Noboa and her dynamic group of executives described their plans to aggressively expand the consortium's holdings, in areas as far reaching as real estate development, technological innovation, and investment in natural resources. As the daughter of the country's most prominent businessman, Luis Noboa, and sister of banana magnate and perennial presidential candidate Alvaro Noboa, Ms. Noboa has a strong entrepreneurial background. At the same time, she is very committed to social projects, and her company's foundation works with children and families throughout the area, focusing on health and education programs.

18. Though not having as large a presence as the Noboa consortium, Fundacion Crecer makes an important impact on the lives of the children they work with. With their meager resources, they have established an impressive facility that takes children off the streets of Guayaquil and offers them a place to eat, to learn, and to better themselves. The Ambassador visited the foundation to observe a bakery that a Peace Corps volunteer began about a year ago. After touring the foundation and making bread with the children, the Ambassador donated a set of scholastic books to the organization's library.

COMMENT

19. Port city Guayaquil will benefit from increased trade under an FTA and its business, political, and media elites are natural allies in favor of congressional ratification. The Ambassador's visit reinforced pro-FTA sentiment, which we hope to enlist to spur necessary reforms in labor and other areas.

HERBERT